

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND La Plata, Maryland

> REPORT ON SINGLE AUDIT June 30, 2007

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORTS	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	1
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	11
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	14



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The County Commissioners of Charles County Charles County, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Charles County, Maryland (the County) as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 6, 2007. We did not audit the financial statements of the Board of Library Trustees for Charles County. The financial statements of the Board of Library Trustees for Charles County were audited by other auditors whose report thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the County, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commissioners of Charles County, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baltimore, Maryland December 6, 2007

Clifton Gunderson LLP



Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance With OMB Circular A-133

The County Commissioners of Charles County Charles County, Maryland

Compliance

We have audited the compliance of the County Commissioners of Charles County, Maryland (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Board of Library Trustees for Charles County and the Board of Education of Charles County, component units, which received federal awards which are not included in the Schedule of Federal Awards for the year ended June 30, 2007. We were separately engaged to perform and have separately reported on the results of our audit of the Board of Education of Charles County in accordance with OMB Circular A-133. Our audit described below does not include the operations of the component units, Board of Library Trustees for Charles County and the Board of Education of Charles County. The Board of Library Trustees for Charles County was audited by other auditors and we audited and separately reported on the activities of the Board of Education of Charles County.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.



In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-02.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as described above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County Commissioners of Charles County, Maryland as of and for the year ended June 30, 2007, and have issued our report thereon dated December 6, 2007. The Board of Library Trustees for Charles County and the Board of Education of Charles County, component units, which received federal awards which are not included in the Schedule of Federal Awards for the year ended June 30, 2007. We were separately engaged to perform and have separately reported

on the results of our audit of the County in accordance with OMB Circular A-133. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Commissioners of Charles County, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baltimore, Maryland

January 22, 2008, except for the Schedule of Awards of Federal Expenditures,

Clifton Gunderson LLP

which is December 6, 2007.

	Federal		
Federal Grantor/Pass-through	CFDA	Grantor's	Grant
Grantor/Program or Cluster Title	Number	Number	Period

Federal Grantor/Pass-through	Federal	Grantor's	Grant	Federal	
Grantor/Program or Cluster Title	Number	Number	Period	Expenditures	S
U.S. Department of Housing & Urban Development: Direct					
Economic Development Initiative	PL108-447	B-05-SP-MD-0106	01/23/06-02/22/11	\$ 50,780	90
Community Development Block Grant	14.246	B-04-NI-MD-0021	06/21/05-03/31/06	_	15
Section 8 Housing Choice Voucher Program	14.871	MD024VO	07/01/06 - 06/30/07	6,426,342	45
Section 8 Housing Choice Voucher Program	14.871	MD024AF	07/01/06 - 06/30/07	760,042	42
Pass-through MD Dept of Housing and Community Development Emergency Shelter Grant Program	14.231	2006-ESG-BOS-06	Signature Date to 10/01/08	25.952	25
Community Development Block Grant	14.219	MD-06-CD-3	Signature Date-06/30/07	25,723	23
Community Development Block Grant	14.219	MD-01-CD-42	02/28/02-12/31/07	36,600	00
Confinition Development Block Grant	14.219	MD-05-CD-37	07/01/04-02/28/08	28,710	0
Pass-through MD Dept. of Health & Mental Hygiene: CSA Shelter Plus Care	14.238	MH 290 OTH	07/01/06-06/30/07	541,658	89
Pass-through Prince George's County Dept. of Housing:					
Housing Opportunities for People with AIDS	14.241	Subrecipient of Prince George's County Gov.	07/01/06-06/30/07	52,749	9
Total U.S. Department of Housing & Urban Development				8,097,671	7
Office of National Drug Control Policy Pass-through Arlington County High Intensity Drug Trafficking Areas	555	REPLYRE Subsward No. 7003122	בטומבושט שטואטובט	0.00	2
High Intensity Drug Trafficking Areas	99.999	none	10/01/06-09/30/07	3,091	2 =
High Intensity Drug Trafficking Areas	666.66	none	10/01/05-09/30/06	1,464	4
Pass-through University of Maryland High Intensity Drug Trafficking Areas	666.66	I6PWBP528Z Subaward No. Z903122	07/01/06-6/30/07	59 813	~
Total Office of National Drug Control Policy				214,711	ol –
U.S. Department of Agriculture Pass-through MD Dept. of Education					l
Offing & Addit Cale Food Plogram	10.558	none	07/01/06-06/30/07	4,938	ω
Total U.S. Department of Agriculture				4,938	ω

Federal Grantor/Pass-through	Federal CFDA	Grantor's	Grant	Fe	Federal
Grantor/Program or Cluster Title	Number	Number	Period	Expe	Expenditures
U.S. Department of Commerce Pass-through MD Dept. of Natural Resources Coastal Zone Management Administration awards	11.419	P7200049	07/01/06-06/30/07	€	34,000
Coastal Communities Initiative Grant Program	11.419	14-06-109/CZM04Z	03/01/06-06/30/07		18,792
Total U.S. Department of Commerce					52,792
U.S. Department of Justice					
Pass-through the Governor's Office of Crime and Prevention					
Violence Against Women Act	16.588	VAWA-2005-1047	10/01/05-09/30/06		11,276
The Edward J. Bryne Memorial Justice Assistance Grant:	16.738	BJAG-2006-1064	07/01/06-06/30/07		9,854
Tactical Response Squad					
The Edward J. Byrne Memorial Justice Assistance Grant: DNA Testing	16.738	BJAG-2006-1058	07/01/06-06/30/07		7,308
The Edward J. Bryne Memorial Justice Assistance Grant:	16.738	2006-DJ-BX-0401	10/01/05-09/30/09		50,813
Crime Analysis Unit					
The Edward J. Byrne Memorial Justice Assistance Grant: Teen Court	16.738	BJAG-2006-1014	07/01/06-06/30/07		23,006
The Edward J. Byrne Memorial Justice Assistance Grant: Cold Case Squad	16.738	BJAG-2006-1062	07/01/06-06/30/07		31,371
The Edward J. Byrne Memorial Justice Assistance Grant:	16.738	BJAG-2006-1060	07/01/06-06/30/07		22,448
Enhancing Patrol Operations					
The Edward J. Byrne Memorial Justice Assistance Grant: i2 Notebook	16.738	BJAG-2006-1057	07/01/06-06/30/07		34,201
The Edward J. Byrne Memorial Justice Assistance Grant:					11,610
Criminal Gang Reduction	16.738	BYRN-2003-1077	07/01/06-10/31/06		
Direct			Information Period 07/01/2004-06/30/2005		
State Criminal Alien Assistance Program	16.606	2007-AP-BX-0079	for calculating award		11,769
Bulletproof Vest Partnership	16.607	None	10/01/06-09/30/10		1,693
COPS Universal Hiring Program	16.710	2003UMWX0290	09/01/03-08/31/08		160,943
Comprehensive Anti-gang Strategy Grant	16.744	G 37 1340	01/31/07-09/30/07		17,748
Total U.S. Department of Justice					394,040

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor's Number	Grant	Federal
U. S. Department of Transportation: Pass-through the MD Department of Transportation VanGo Capital Grant Agreement VanGo Urban Transportation - Section 5307 VanGo Rural Public Transportation — Section 5311	20.507 20.507 20.509 20.516	MD-90-0101, MD-90-0107 MD-90-4107 MD-18-4024 MD-37-4007 / MD-37-4004	07/01/06-06/30/07 07/01/06-06/30/07 07/01/06-06/30/07 07/01/06-06/30/07	\$ 399,845 829,952 66,502
Total U.S. Department of Transportation				1,402,469
National Highway Traffic Safety Admin. Pass-through MD Institute for Emergency Medical Services Systems (MIEMSS)				
State and Community Highway Safety Program Pass-through MD Department of Transportation	20.600	HSO Award #07-035	Signature date to 08/21/07	4,250
Traffic Safety Program Traffic Safety Program	20.600	Project 07-158 Project 06-158	10/01/06-09/30/07 10/01/05-09/30/06	65,262 48,947
Total National Highway Safety Administration				118,459
Environmental Protection agency Pass-through MD Dept. of the Environment Non-point Source Implementation – Port Tobacco WRAS	66.460	PO U00P6200429	01/01/06-06/30/07	22,661
Total Environmental Protection Agency				22,661
U.S. Dept. of Health & Human Services Pass-through MD Department of Aging Title VII: Elder Abuse Prevention/Ombdsman	93 042	2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2		
Title VII: Elder Abuse Prevention/Ombdsman	93.042	AAA-3-24-0008	10/01/06-09/30/07	1,596
Title III, Part D: Prevention Health Services	93.043	AAA-3-24-0008	10/01/05-09/30/06	8,224
Litle III, Part D. Prevention Health Services	93.043	AAA-3-24-0008	10/01/06-09/30/07	675
Supportive Services & Senior Centers	93.044	AAA-3-24-0008	10/01/05-09/30/06	22,115
Title III Bort O: Nictains Conjust	93.044	AAA-3-24-0008	10/01/06-09/30/07	63,172
Tall C. Nutrition Services	93.045	AAA-3-24-0008	10/01/06-09/30/07	49,332

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor's Number	Grant Period	Fed Expen	Federal Expenditures
Title III Part C: Nutrition Services	93.045	AAA-3-24-0008	10/01/06-09/30/07	ø	58,886
Title III Part C: Nutrition Services	93.045	AAA-3-24-0008	10/01/05-09/30/06		20,130
Title III Part C: Nutrition Services	93.045	AAA-3-24-0008	10/01/05-09/30/06		305
Title III, Part E: National Family Caregiver Support Program	93.052	AAA-3-24-0008	10/01/06-09/30/07		29,094
Title III, Part E: National Family Caregiver Support Program	93.052	AAA-3-24-0008	10/01/05-09/30/06		6,473
Title III, Part E: Nutrition Services Incentive	93.053	AAA-3-24-0008	10/01/06-09/30/07		2,430
Title III, Part E. Nutrition Services Incentive	93.053	AAA-3-24-0008	10/01/06-09/30/07		17,254
Title III, Part E: Nutrition Services Incentive	93.053	AAA-3-24-0008	10/01/05-09/30/06		785
Pass-through MD Department of Health and Mental Hygiene					
Projects for Assistance in Transition from Homelessness	93.150	MH 272 OTH	07/01/06-06/30/07		32,364
Block Grants for Community Mental Health Services-MISA/TAY	93.958	MH 271 OTH	07/01/06-06/30/07		82,703
Pass-through MD Department Human Resources					
Social Services Administration					
Promoting Safe & Stable Families	93.556	SSA/OSS-06-020	10/01/05-09/30/06		21,916
Promoting Safe & Stable Families	93.556	SSA/OSS-06-020	10/01/05-09/30/06		13,582
Pass-through MD Department of Education	03 558	C00101000700 # coiocal 100000	70100130 30110170		317 260
Temporary Assistance for Needy Families Temporary Assistance for Needy Eamilies	93.558	830701 / Invoice # 5G700401002	07/01/06-06/30/07		31 209
Temporary Assistance for Needy Families	93.558	Emergency Group Repatriation	07/21/06-07/28/06		2,557
Pass-through MD Department of Human Resources-					
Child Support Enforcement					
Child Support Enforcement Administration	93.563	CSEA/CRA-07-042	10/01/06-09/30/07		282,607
Child Support Enforcement Administration	93.563	CSEA/CRA-06-042	07/01/05-09/30/06		89,223
Child Support Enforcement Administration	93.563	CSEA/CRA-07-012	10/01/06-09/30/07		228,515
Child Support Enforcement Administration	93.563	CSEA/CRA-06-012	07/01/05-09/30/06		71,911
Child Support Enforcement Administration	93.563	CSEA/CRA-06-037	07/01/05-09/30/06		22,293
Child Support Enforcement Administration	93.563	CSEA/CRA-07-037	10/01/06-09/30/07		68,143
Child Support Enforcement Incentive Funds FY 03	93.563	Sheriff's Office	04/11/05-06/30/07		1,601
Child Support Enforcement Incentive Funds FY 02	93.563	Sheriff's Office	08/05/04-09/30/07		3,547
Child Support Enforcement Incentive Funds FY 03	93.563	Masters	04/11/05-04/10/07		2,259
Child Support Enforcement Incentive Funds FY 04	93.563	State Attorney Office	04/04/06-04/06/08		2,097
Child Support Enforcement Incentive Funds FY 03	93.563	State Attorney Office	04/11/05-09/30/07		5,018
Child Support Enforcement Incentive Funds FY 02	93.563	State Attorney Office	08/05-04-06/30/07		2,626
Total U.S. Dept. of Health & Human Services				+	1,566,287

Federal Grantor/Pass-through	Federal	Grantor's	Grant	Federal
Grantor/Program or Cluster Title	Number	Number	Period	Expenditures
Centers for Medicare & Medicaid Services Pass-through MD Dept. of Aging Health Insurance Assistance/Title XIX SS Act	93.779	ST-2515-008	04/04/06-03/31/07	4,212
Federal Participation under Title XIX of the SS act	93.779	ST-2217-008	07/01/06-06/30/07	107,867
Total Centers for Medicare & Medicaid Services				112,079
Department of Homeland Security				
Pass-through MD Emergency Mgmt. Agency				
Homeland Security Grant Program – CCP/CERT	97.004	none	07/01/06-03/31/08	5,211
Emergency Mgmt. Performance Grant	97.042	FY06EMP	10/01/05-06/30/07	8,652
Emergency Mamt. Performance Grant	97.042	FY07EMP	10/01/06-06/30/08	28,606
Homeland Security Grant Program FY 06 – SHSG Planner	64.067	none	0701/06-03/31/08	44,383
Homeland Security Grant Program FY 05 – SHSG	290.76	none	10/01/04-03/31/07	20,776
Homeland Security Grant Program - Urban Initiative FY 06	290.76	none	09/01/06-03/31/08	99,315
Homeland Security Grant Program FY 06 – SHSG	290.76	none	07/01/06-03/31/08	216,931
Homeland Security Grant Program FY 05 - SHSG Planer	97.067	none	01/01/06-12/31/06	31,403
Homeland Security Grant Program FY 05 – LETPP	290.76	none	10/01/04-03/31/07	102,357
Homeland Security Grant Program FY 06 – LETPP	97.067	none	07/01/06-03/31/08	50,736
Total Denartment of Homeland Security				608,370
TOTAL				\$ 12,594,477

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2007

NOTE 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal awards programs operated by the County Commissioners of Charles County, Maryland are included in the scope of the OMB Circular A-133 audit. Federal awards of the Board of Library Trustees and the Board of Education of Charles County, component units, are not included in the Schedule of Federal Awards. Compliance testing of all applicable compliance requirements, as described in the Office of Management Budget's Compliance Supplement for A-133, was performed for all major programs.

The U.S. Department of Housing and Urban Development has been designated as the oversight audit agency for the OMB Circular A-133 audit.

NOTE 2 - FISCAL PERIOD AUDITED

Single audit testing procedures were performed for transactions occurring during the fiscal year ended June 30, 2007

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available as net current assets. Grant revenues recorded in Governmental Funds are recognized as revenue in the accounting period during which the expenditure is made.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A133, audits of States, Local Governments, and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 4 - SUBRECIPIENTS

The County Commissioners of Charles County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA #	Amount Provided
Community Block Grant/State Program	14.219	\$ 25,723
Emergency Shelter Grants	14.231	25,952
Community Development Block Grant	14.246	149,115
Block Grants for Community Mental Health Services	93.958	82,858
Projects for Assistance in Transition from Homelessness (PATH)	93.150	32,369
Promoting Safe and Stable Families Program	93.556	35,498

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND SCHEDULE OF FINDINGS AND QUESTIONED COSTS June 30, 2007

I. <u>Summary of Independent Auditor's Results</u>

Financial Statements Type of auditor's report issued: Unqualified				
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	_X_	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	X	Yes		None reported
Noncompliance material to financial statements noted?	-	Yes	_X_	No
Federal Awards Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_X_	Yes	-	None reported
Type of auditor's report issued on compliance for major prog	grams:	Unquali	fied	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	£	Yes	_X_	No
Identification of Major Programs				
Name of Federal Program or Cluster Section 8 Housing Choice Voucher Program	CI	F DA N u 14.871	mber	_
Dollar threshold used to distinguish between type A and type B prog	rams	\$ 300,	000	
Auditee qualified as low-risk auditee?	Х	Yes		No

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND SCHEDULE OF FINDINGS AND QUESTIONED COSTS June 30, 2007

II. Financial Statement Findings

Finding 07-01:

Condition

Internal controls over financial reporting failed to prevent and/or detect material errors in the financial records and statements. During the course of the audit, we discovered several misstatements that had a material effect on the County's financial statements. These misstatements were due to improper recording of the self insurance liability for estimated claims incurred but not recorded (IBNR) and year-end recordation of an accounts receivable accrual.

We also identified material errors in the proprietary funds' Statements of Cash Flow and the financial statement's reconciliations between the modified accrual and full accrual financial statements.

Criteria

The Internal Control-Integrated Framework (COSO) requires persons responsible for preparing, reviewing, and approving financial reports to have adequate knowledge, skills, and abilities to perform the tasks.

Cause

For the self insurance liability, the County was using a historical estimate instead of performing an analysis of actual claims in the run out period or using the actuarially determined liability estimate provided by the County's insurance provider.

In previous years, management relied on their outside auditors to prepare the County's financial statements. For fiscal year 2007, the financial statements were prepared by the County.

Effect

Financial records and reports may incorrectly reflect the financial status of the County. In addition, the financial statements may not be prepared in accordance with Generally Accepted Accounting Principles.

Recommendation

We recommend that management establish procedures to record transactions when supporting invoices and other supporting documentation are received. In addition, the County should implement the necessary controls to ensure material accruals are properly recorded at year end.

We recommend that management undertake a review of their financial statement preparation process. Management should consider beginning the financial statement preparation of the more complex areas earlier in the financial reporting process to ensure they have adequate time for preparation and review. Management should consider obtaining specific training in financial reporting to aide them in future preparation of their financial statements.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND SCHEDULE OF FINDINGS AND QUESTIONED COSTS June 30, 2007

Management's Response

Charles County does not dispute the findings as described above. However, this being the first year of a five year contract, there was areas of improvement noted for both parties, and ours will include taking the necessary steps to resolve this finding. All matters of this finding were corrected for the financial audit report to be issued. In addition, steps have already been taken to handle the specific items with each subsequent audit.

III. Federal Award Findings and Questioned Costs

Finding 07-02: Section 8 Housing Choice Voucher, CFDA #14.871

Condition

Re-inspections for failed housing units were not performed within the 45-day time frame identified in the County's Housing administrative plan. An explanation for the delay was not documented in the tenant's file. We identified 7 out of 25 failed re-inspections that were not performed within the 45-day time frame.

Criteria

24 CFR 982.404 (a)(3) states that the owner must correct deficiencies noted during HQS inspections within 30 calendar days or any PHA-approved extension. The Housing Choice Voucher Program administrative plan for Charles County identified the re-inspection time frame as 45-days.

Cause

The inspections may be delayed due to the time frame in which the re-inspection was to be performed and/or the availability of the housing inspectors.

Effect

Charles County is not in compliance with their administrative plan or HUD regulations.

Recommendation

We recommend that Charles County Housing follow the procedures outlined in their administrative plan.

Questioned Costs

None

Management Response

The PHA will continue to follow procedures outlined in the Administrative Plan as approved by HUD, specifically Chapter 16, page 5 regarding the reinspection of deficient units. Further, the PHA will consult with HUD to clarify the HUD approved Administrative Plan extension period regarding reinspection of deficient units.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS June 30, 2007

None Noted